

## Message Text

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ACTION NEA-10

INFO OCT-01 EUR-12 ISO-00 CIAE-00 PM-04 H-01 INR-07 L-03

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-----291606Z 111754 /45

P R 291430Z JAN 77

FM AMEMBASSY CAIRO

TO SECSTATE WASHDC PRIORITY 1133

INFO AMEMBASSY DAMASCUS

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY MOSCOW

AMEMBASSY TEL AVIV

DIA WASHDC

USIA WASHDC

C O N F I D E N T I A L SECTION 01 OF 02 CAIRO 1735

E.O. 11652: GDS

TAGS: PINT, PFOR, EG

SUBJ: ASSESSMENT OF SADAT GOVERNMENT AFTER RECENT RIOTS

REFS: (A) CAIRO 1558; (B) CAIRO 1243; (C) 76 CAIRO 12166

SUMMARY: CONSENSUS OF EGYPTIAN NON-OFFICIAL OBSERVERS IS THAT JANUARY 18/19 RIOTS WERE SPONTANEOUS EXPLOSION OF FRUSTRATIONS AND DISCONTENT OF URBAN MASSES. ALTHOUGH TRIGGER WAS JANUARY 17 PRICE RISES, UNDERLYING CAUSES WERE DETERIORATING ECONOMIC SITUATION, WIDESPREAD CORRUPTION, GOE FAILURE TO MEET EXPECTATIONS IT HAS RAISED, DISPARITY IN DISTRIBUTION OF WEALTH, AND GOE'S POOR RECORD IN MEETING NEEDS OF THE URBAN POOR. PERVASIVE CORRUPTION FROM LOWEST TO HIGHEST LEVELS OF GOVERNMENT IS STRESSED BY LEFTIST AND RIGHTIST OBSERVERS AS MAJOR SOURCE OF DISCONTENT. SADAT HAS SUFFERED FIRST MAJOR DOMESTIC LOSS IN PRESTIGE SINCE OCTOBER WAR, BUT IT REMAINS TO BE SEEN IF  
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DAMAGE IS SERIOUS OR PERMANENT MASSIVE FOREIGN AID IS NEEDED TO RESTORE CONFIDENCE BUT MONEY ALONE CANNOT REVERSE ADVERSE TRENDS. SADAT MUST SHOW SAME DECISIVE LEADERSHIP ON DOMESTIC MATTERS THAT HE DEMONSTRATED IN MAY 1971 AND THAT HE CONTINUALLY DEMONSTRATES IN FOREIGN POLICY. IF HE FAILS TO DO SO, OUTLOOK FOR HIS REGIME IS UNPROMISING. IMPACT ON ME PEACE NEGOTIATIONS OF A WEAKENED SADAT IS DIFFICULT TO PREDICT BUT HIS NEGOTIATING

LATITUDE MAY BE REDUCED. THUS FAR THERE ARE NO SIGNS TO SUGGEST THAT HE MAY BE PREPARED TO MAKE NEW CONCESSIONS TO HAVE AGREEMENT SOON BUT HE CLEARLY WOULD WELCOME ANY FORWARD MOVEMENT EVEN IF ONLY SYMBOLIC. U.S. SHOULD SEEK WAYS TO DEMONSTRATE ITS SUPPORT FOR MODERATE SADAT REGIME DURING COMING MONTHS. END SUMMARY.

1. IN ADDITION TO DISCUSSIONS WITH KEY GOVERNMENT OFFICIALS, NOTABLY FAHMY AND MUSTAFA KHALIL (REFS A AND B), EMBASSY OFFICERS HAVE DURING PAST WEEK SOUGHT ASSESSMENT OF LAST WEEK'S EVENTS FROM WIDE VARIETY OF EXPERIENCE EGYPTIAN OBSERVERS AMONG INTELLECTUALS AND JOURNALISTS, INCLUDING AKBAR EDITORS MUSA SABRI, ABDUL HAMID ABDUL GHANI AND GALAL HAMAMMSI AND SUCH LEFTISTS AS LOTFI AL KHULI, FAMIL MATTAR AND MUHAMAD SID AHMAD. THIS CABLE IS A DISTILLATION OF PRINCIPAL THEMES THEY STRESSED TOGETHER WITH OUR COMMENTS.

2. SPONTANEITY OF RIOTS. VIRTUALLY ALL OBSERVERS AGREE THAT DEMONSTRATIONS WERE "SPONTANEOUS" EXPLOSION OF PENT UP FRUSTRATIONS AND DISCONTENT OF URBAN MASSES. ASSESSMENTS OF DEGREE OF EXPLOITATION BY ORGANIZED GROUPS WHICH CONTRIBUTED TO VIOLENCE VARY, BUT GOE OFFICIAL, LEFTISTS AND INDEPENDENTS POINT TO IKHWAN AS DESTROYER OF NIGHT CLUBS WHILE GOE AND INDEPENDENTS BELIEVE COMMUNISTS WERE HIGHLY ACTIVE (ALL APPEAR TO BE RIGHT).

3. CAUSES. THERE IS GENERAL AGREEMENT THAT BASIC CAUSES INCLUDE ROOTLESS CONDITION OF NEW URBAN DWELLERS, DEPRESSED STATE OF ECONOMY AFTER 30 YEARS ON WAR FOOTING, FAILURE OF RICH ARABS TO GIVE MORE AID, AND OTHER SOCIO-ECONOMIC FACTORS COMMON

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TO MOST DEVELOPING COUNTRIES. YET EGYPT, TRADITIONALLY STABLE, HAS NOT EXPERIENCED SUCH DESTRUCTIVE RIOTS SINCE JANUARY 1952. WHY NOW? ALTHOUGH PRICE RISES PROVIDED TRIGGER, MOST OBSERVERS BELIEVE SITUATION WAS RIPE FOR SUCH DISORDERS (AS DEMONSTRATED BY DARB AL AHMAR RIOTS OF LAST SEPTEMBER -REF C). AMONG CAUSES MOST FREQUENTLY MENTIONED ARE CORRUPTION, INEQUITIES OF WEALTH AND DISTRIBUTION; AND SEEMING GOE UNCONCERN WITH PLIGHT OF THE POOR. MANY WERE ALSO STRUCK BY EXTENT TO WHICH WRATH OF DEMONSTRATORS (SPONTANEOUSLY OR BY INSTIGATION) DIRECTED AT SYMBOLS OF GOVERNMENT (POLICE STATIONS, TELEPHONE EXCHANGE, FIRE HOUSES, BUSES) AND SADAT PERSONALLY.

(A) CORRUPTION. ACCUSATION THAT IT EXTENDS TO HIGHEST LEVELS OF GOE IS HEARD FROM LEFT TO RIGHT. PUBLIC AT LARGE IS CONVINCED, CRITICS CHARGE, THAT CORRUPTION IS LARGELY RESPONSIBLE FOR ECONOMIC HARD TIMES AND SLOGANS SHOUTED DURING RIOTS WERE DIRECTED AT MOST COMMON SYMBOLS OF ALLEGED CORRUPTION: SAYYID MAR'I, JIHAN SADAT AND OSMAN AHMED OSMAN. THIS TIME SADAT HIMSELF WAS NOT EXCLUDED. MOST UNOFFICIAL OBSERVERS BELIEVE

PUBLIC OUTRAGE IS FULLY JUSTIFIED SINCE GOE HAS FAILED TO TAKE  
LEGAL ACTION AGAINST EVEN MOST NOTORIOUS SUSPECTS: AHMAD YUNIS,  
DISMISSED JULY 76 IN BLAZE OF PUBLICITY AS CHAIRMAN OF UNION OF  
AGRICULTURAL COOPERATIVES FOR MISUSE OF FUNDS, BUT RE-ELECTED TO  
PEOPLE'S ASSEMBLY IN OCTOBER (AND WITH WHOM SAYYID MAR'I CON-  
TINUES TO BE CLOSELY IDENTIFIED); ABDUL MUNIM MAGHREBI, CHAIRMAN  
OF WAQFS AUTHORITY WHO WAS SUSPENDED FROM HIS POST IN JULY  
1976 AFTER BEING ACCUSED OF MISUSE OF FUNDS, BUT RECENTLY  
APPOINTED ADVISOR TO NEW MINISTER OF WAQFS; AND NUMEROUS OFFICIALS  
INVOLVED IN 1972 BOEING SALE WHICH SURFACED IN PRESS EARLY LAST  
YEAR AND THEN DISAPPEARED UNTIL EARLY THIS MONTH (CAIRO 1024).  
SOME PUT IN SAME CATEGORY GOE FAILURE TO ENACT HOUSING LAW OR  
ENFORCE DECREE (MADE WITH MARTIAL LAW AUTHORITY) OF LAST SEP-  
TEMBER (76 CAIRO 12523) TO ELIMINATE ABUSES IN RENTAL HOUSING.  
THESE ARE ONLY MOST PROMINENT EXAMPLES  
AND PRESUMPTION IS THAT FAILURE TO PROSECUTE IS TO CONCEAL IN-  
VOLVEMENT OF HIGHEST LEVEL OFFICIALS (WHEN AHMAD YUNIS  
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ANNOUNCED MANY HEADS WOULD ROLL IF HE WERE PROSECUTED; NO MORE  
WAS HEARD FROM MINJUSTICE). IT IS GENERALLY BELIEVED THAT  
CORRUPTION PERVADES ALL LEVELS OF GOVERNMENT, BUT IT IS COMMON  
PEOPLE WHO PAY ULTIMATE BILL. AKHBAR AL-YAWM EDITOR, FOR EXAMPLE,  
IS LAUNCHING INVESTIGATION INTO BUILDING INSPECTION AND EASE WITH  
WHICH BUILDING PERMITS ARE GRANTED DESPITE REPEATED CASES OF  
NEW BUILDINGS COLLAPSING. ANOTHER AKHBAR EDITOR PLANS PURSUE  
AHMAD YUNIS IN PRINT. WIDESPREAD BLACK MARKET IN IMPORTED  
GOODS IS FREQUENTLY CITED AS EXAMPLE OF COLLUSION BETWEEN MER-  
CHANTS AND CUSTOMS AUTHORITIES.

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P R 291430Z JAN 77  
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TO SECSTATE WASHDC PRIORITY 1134  
INFO AMEMBASSY DAMASCUS  
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AMEMBASSY MOSCOW  
AMEMBASSY TEL AVIV  
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(B) DISTRIBUTION OF WEALTH. WHETHER OR NOT ACTUAL DISTRIBUTION OF WEALTH HAS CHANGED MUCH IN PAST TEN YEARS, VIRTUALLY ALL OBSERVERS AGREE SADAT'S OPEN DOOR HAS CREATED ENVIRONMENT IN WHICH UNABASHED CONSPICUOUS CONSUMPTION AND OSTENTATIOUS DISPLAY OF WEALTH IS "IN" AMONG THE TINY WEALTHY CLASS. NEW MERCEDES, GUADY NIGHT CLUBS AND DISPLAY IN SHOP WINDOWS OF WIDE VARIETY OF IMPORTED LUXURY GOODS AT PRICES ONLY RICH CAN AFFORD HAVE ALL CONTRIBUTED TO GROWING RESENTMENT OF URBAN MASSES. THERE WAS DEFINITE ELEMENT OF CLASS ANTAGONISM DURING DEMONSTRATIONS; TAXI CABS WERE LEFT UNTOUCHED WHILE SYMBOLS OF WEALTH LIKE LUXURY HOTELS ATTACKED.

(C) NEGLECT OF PLIGHT OF POOR. OBSERVERS COMMENT THAT GOE'S APPARENT UNCONCERN WITH POOR CLASHES WITH HIGH EXPECTATIONS THAT WERE RAISED BY SADAT AFTER OCT 73 WAR AND BY OPEN DOOR (WHICH IN PUBLIC MIND IS OPENING TO WEST). IN FACE OF REPEATED GOE PROMISES DURING PAST TWO YEARS THAT URGENT ACTION  
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UNDERWAY TO PROVIDE LOW COST HOUSING, IMPROVE PUBLIC TRANSPORT, KEEP DOWN COST OF LIVING AND IMPROVE FOOD DISTRIBUTION, AVERAGE EGYPTIAN HAS INSTEAD SEEN RENTS SKYROCKET (ECEPT ON RENT-CONTROLLED HOUSING), PUBLIC TRANSPORT DETERIORATE, INFLATION INCREASE AND SHORTAGES OF EVEN BASIC ITEMS APPEAR. ALL OUR INTERLOCUTORS AGREE THAT JAN 17 INCREASE IN PRICE OF SUBSIDIZED COMMODITIES (AT TIME WHEN MANY BELIEVED PRICES MIGHT BE REDUCED) WAS LAST STRAW. REITERATION OF CABINET PROMISES JAN 26 TO CORRECT THESE ILLS (CAIRO 1567) IS BEING GREETED WITH TOTAL SKEPTICISM.

4. IMPACT ON SADAT'S LEADERSHIP. OBSERVERS ARE ALMOST UNANIMOUS IN BELIEVING THAT SADAT'S DOMESTIC PRESITGE HAS SUFFERED FIRST MAJOR SETBACK SINCE OCT WAR. WHILE SOME EXCUSE HIM ON GROUNDS THAT HE WAS CONCENTRATING ON "PEACE OFFENSIVE" AND LEAVING ECONOMIC MATTERS TO CABINET, MAJORITY BELIEVE HE IS BADLY OUT OF TOUCH WITH HIS PEOPLE AND THAT HE IS SURROUNDED BY SYCOPHANTS WHO ARE AFRAID OF UNDERMINING THEIR OWN POSITIONS BY BRINGING HIM BAD NEWS. JIHAN'S PROMINENT (SOME SAY HIGHLY POLITICAL) ROLE AND THE SADATS' RELATIVELY

LLUXURIOUS LIFESTYLE WERE INCREASINGLY SUBJECT OF QUIET CRITICISM AND JOKES BEFORE RIOTS. NOW IT IS OUT IN THE OPEN.

5. COMMENT: JAN 18/19 EGYPTIAN RIOTS ARE POTENTIALLY OF MAJOR SIGNIFICANCE FOR THE US. IF THE DAMAGE TO SADAT'S DOMESTIC POSITION TURNS OUT TO BE SERIOUS AND PERMANENT, HIS ABILITY TO MAKE TOUGH DECISIONS AT HOME WILL BE DIMINISHED. SADAT CLEARLY RECOGNIZES THIS AND IS LOOKING FOR WAYS TO REFINISH HIS IMAGE; WITNESS HIS ATTENDANCE AT FRIDAY PRAYERS AT AL-AZHAR JAN 28 WITH NORMAL SECURITY ENTOURAGE CONSPICUOUSLY ABSENT (SEPTEL). WHILE A MASSIVE FINANCIAL RESCUE OPERATION BY DONOR STATES TO MEET EGYPT'S MOST PRESSING NEEDS IS ANOTHER PREREQUISITE FOR STRENGTHENING SADAT REGIME, MONEY ALONE IS UNLIKELY TO REVERSE THE ADVERSE TRENDS. TO RECOUP POLITICALLY, THE LEADERSHIP MUST AT LEAST GIVE THE APPEARANCE OF FIGHTING CORRUPTION, OF SOAKING-THE-RICH TO CONFIDENTIAL

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PROTECT THE GAINS OF THE POOR, AND OF SETTING AN EXAMPLE OF SACRIFICE, NATIONAL UNITY AND HARD WORK.

5. INSTEAD, WE ARE PRESENTLY WITNESSING IS AN INDECISIVE GOVT WHOSE PRINCIPAL ACT SINCE THE RESTORATION OF PUBLIC ORDER HAS BEEN TO MAKE THE SAME PROMISES IT HAS BEEN MAKING FOR THREE YEARS AND WHOSE KEY FIGURES ARE PRIVATELY ATTEMPTING TO EXONERATE THEMSELVES FROM BLAME FOR LAST WEEK'S EVENTS AND POINTING ACCUSATORY FINGERS AT THEIR CABINET COLLEAGUES. ONLY SADAT CAN BRING ABOUT THE PSYCHOLOGICAL CHANGE THAT WE BELIEVE IS REQUIRED. THERE IS NOT YET MUCH INDICATION THAT HE IS PREPARED TO DO SO (ALTHOUGH THE DISMISSAL OF MRS SADAT'S INEPT BROTHER-IN-LAW FROM HIS POST AS SEC GEN OF GOVT PARTY IS A SMALL BUT HOPEFUL SIGN). UNLESS SADAT DOES NOW ACT WITH THE SAME DECISIVENESS IN INTERNAL AFFAIRS THAT HE DEMONSTRATED DURING "CORRECTIVE REVOLUTION" OF MAY 1971 AND THAT HE CONTINUES TO DEMONSTRATE IN FOREIGN AFFAIRS, THE OUTLOOK IS FOR A STEADILY DETERIORATING INTERNAL SITUATION AND INCREASED CIVIL DISORDERS.

6. IMPACT ON MEPC. THE IMPACT OF A WEAKENED SADAT ON POSSIBLE PEACE NEGOTIATIONS IS MORE DIFFICULT TO PREDICT. CONVENTIONAL WISDOM WOULD SUGGEST THAT IF HE FEELS THREATENED AT HOME HIS NEGOTIATING LATITUDE AND ABILITY TO MAKE CONCESSIONS WILL BE LESSENED. THIS IS IN ANY CASE LIKELY TO BE TRUE IN ISSUES OF DIRECT CONCERN TO THE EGYPTIAN MILITARY ESPECIALLY SINCE GAMASY IN EFFECT SAVED THE REGIME AFTER CIVILIAN SECURITY FORCES WERE UNABLE TO COPE WITH RIOTS. GAMASY'S VOICE IN EGYPTIAN COUNCILS WILL BE STRENGTHENED. ON THE OTHER HAND, THOSE PRESSURES THAT WERE DRIVING HIM TOWARD A PEACEFUL SETTLEMENT, E.G., THE ECONOMIC PLIGHT OF EGYPT, ARE NOW GREATER AND EGYPT NEEDS AN AGREE-

MENT WORSE THAN EVER. IF ECONOMY CONTINUES BE SLUGGISH,  
MOVEMENT ON PEACE PROCESS -- EVEN IF SYMBOLIC -- WILL BE OF  
HELP IN RESHAPING PUBLIC OPINION.

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7. WE BELIEVE IT IS TOO EARLY FORM ANY FIRM JUDGEMENT ON  
SUCH CRUCIAL QUESTIONS, BUT WE WILL BE CAREFULLY PERUSING  
EGYPTIAN STATEMENTS TO DETECT WHAT MAY BE THE FUTURE  
POLICY DIRECTION AND WHAT US MAY BE ABLE TO DO TO  
SUPPORT MODERATE SADAT REGIME.  
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## Message Attributes

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**Status:** NATIVE  
**Subject:** ASSESSMENT OF SADAT GOVERNMENT AFTER RECENT RIOTS  
**TAGS:** PINT, PFOR, EG  
**To:** STATE  
**Type:** TE  
**vdkgvwkey:** odbc://SAS/SAS.dbo.SAS\_Docs/3e5d70da-c288-dd11-92da-001cc4696bcc  
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